

Pre-Application: Cannabis Equity Program

Submittal Guide and Application Forms

Materials included in this pre-application submittal guide and application packet:

- Step-by-step pre-application submittal guide and instructions
- Cannabis Equity Permit Program Eligibility Criteria and Information Sheet
- Pre-application Form

STEP 1: Review the Equity Permit Program materials on the City's Cannabis webpage.

Refer to the cannabis webpage for detailed information on the Cannabis Equity Program including the required criteria.

Check Cannabis Equity Permit Program Criteria. Confirm that you meet all of the criteria to qualify as an equity applicant.

The equity program criteria include all of the following: Costa Mesa residency; annual household income; conviction of a felony in Orange County involving cannabis; and the ability to pass all applicable background check(s) required of all cannabis applicants.

Applicant as Owner of Entity. If the equity applicant is seeking to participate as an owner of an entity, the equity applicant must demonstrate that he/she/they own at least 51% of an entity seeking to participate in the equity program. The equity applicant must maintain this minimum level of ownership for at least five years following issuance of the Cannabis Business Permit or the City will not renew the permit.

STEP 2: Complete the Cannabis Equity Program Pre-Application Form

Pre-application Form. A copy of the pre-application form is provided at the end of this submittal guide.

The pre-application must be signed by the applicant. The signature must be notarized. (Please note that notary services are not available at City Hall.)

STEP 3: Equity Program Eligibility Pre-Application Submittal

Please note that your Equity Permit Program pre-application submittal **MUST** include all of the required documents, forms and information. The City will **NOT** accept incomplete applications for processing.

The City will review your submittal and determine if the application has satisfied the minimum Equity Program pre-application submittal requirements.

Required Documents and Materials. The following items are required to be submitted with the pre-application:

- Completed Pre-Application form
- Documents for a live scan background check
- Proof of Residency
- Proof of Conviction Record Related to Cannabis Offenses
- Proof of Household Income
- Business Ownership Documents (if applicable); an equity applicant may participate as an individual
- Owner Acknowledgement and Agreement for Social Equity Cannabis Business Permit Application (attached to application form)

Application Fee. There is **no filing fee** required to determine eligibility to participate in the Equity Permit Program.

File Organization. The pre-application submittal must be organized into files exactly in the order as follow:

- File 1: Cannabis Equity Program Pre-Application Form
- File 2: Live scan documents (Identification, social security card)
- File 3: Proof of Income
- File 4: Proof of Residency
- File 5: Proof of Conviction

Application Submittal: All cannabis applications, including the pre-application, **will only be accepted online** through the [City's cannabis application submission portal](#). Applications **will NOT** be accepted in-person at City Hall or via regular or electronic mail.

Project Case Number. Once your pre-application is deemed acceptable for processing, a project case number will be assigned to your pre-application.

STEP 4: Live Scan Background Check

Shortly after accepting your Cannabis Equity Program pre-application, the City will provide a Live Scan application form.

You will need to take this form to a Live Scan Operator that provides background checks from both the California Department of Justice and the FBI.

IMPORTANT: Return a copy of the form once it has been stamped by the Live Scan operator as the City will need this information to obtain the results of the background check.

STEP 5: Pre-Application Review and Eligibility Determination

City staff and a consultant retained by the City will review your application to confirm eligibility for the Cannabis Equity Program. The City may request clarification or additional information during this process.

Eligibility cannot be determined until the results of the Live Scan background check have been returned to the City. Failure of the applicant to pass the background check will result in denial of the application to participate in the Permit Equity program. If your Equity Permit Program pre-application is approved, the City will provide you with a written determination of your eligibility to participate in the Cannabis Equity Permit Program. You will need to submit this determination with subsequent applications filed for cannabis applications (i.e., Cannabis Business Permit and Conditional Use Permit).

Concurrent Review with Pre-application for Storefront. The Pre-application for the Cannabis Equity Program may be submitted concurrently with a Pre-application for a Cannabis Storefront Business (Dispensary).

- If the pre-applications for the equity program and proposed dispensary are filed concurrently, the City will not collect the application fee for the Pre-Application for a Cannabis Storefront Business.
- However, should the applicant fail to qualify for the Cannabis Equity Permit Program, the City will not issue a final determination regarding the Pre-Application for a Cannabis Storefront Business until the applicant has paid the required filing fee of \$1,500. If this fee has not been paid within 30 days following a determination on the Cannabis Equity Program pre-application, the submitted Pre-Application for a Cannabis Storefront Business shall be deemed withdrawn.

QUESTIONS?

Email us at cannabis@costamesaca.gov or call the City's cannabis hotline at (714) 754-4902.



Cannabis Equity Permit Program

Eligibility Criteria and Information Sheet

An “equity applicant” means a natural person who meets **all** of the following criteria:

- **Costa Mesa Resident.** Currently a resident of the City of Costa Mesa and has been for at least the past consecutive five years;
- **Median Household.** Has an annual household income at or less than the Orange County Area Median as specified annually by the State Department of Housing and Community Development (HCD). The Orange County Area Median Income for 2021 is \$106,700. The following table identifies the adjustments to the Area Median Income limits based on household size:

Household Size	Income Limit
One person	\$ 74,700
Two people	\$ 85,350
Three people	\$ 96,050
Four people	\$106,700
Five people	\$115,250
Six people	\$123,750
Seven people	\$132,300
Eight or more	\$140,850

- **Conviction Record.** Was convicted of a felony in Orange County, California involving cannabis and/or marijuana for which the underlying cannabis or marijuana offense has subsequently been designated a misdemeanor or infraction or decriminalized pursuant to the provisions of the Control, Regulate and Tax Adult Use of Marijuana Act or federal law.
- **Background Check.** Can pass all other components of the City’s specified background check process.

EQUITY APPLICANT VERIFICATION PROCESS

Pre-application Review Required. An applicant’s eligibility shall be determined through the pre-application review process.

Pre-application Fee. The City shall waive the application fee typically required for a pre-application review to process the eligibility request. The eligibility request may be submitted concurrently with a pre-application review request for a retail storefront cannabis business or non-retail cannabis business in a multi-tenant building. The City

shall also waive fees to process pre-application review for a proposed cannabis business owned by an eligible Equity Applicant.

Equity Applicant Ownership. Ownership is defined as at least 51% ownership of a business entity.

In order for a California entity (such as a corporation, LLC, LLP, partnership, etc.) to participate in the Cannabis Equity Permit Program, one equity applicant must own and maintain a controlling interest of at least 51% in that company.

If the applicant fails to qualify as an Equity Applicant, the applicant shall pay the required pre-application review fee of \$1,500 for a proposed cannabis business, but shall not pay any fees to have the equity applicant application reviewed.

Required Documents and Materials. The following items are required to be submitted with the pre-application submittal for eligibility as an Equity Applicant:

1. **Live Scan.** A completed Live Scan application on a form specified by the Community Improvement Division. The applicant must also submit copies of the following documents:
 - California Driver's License or State Identification card
 - Social Security Card
 - Proof of residency if the address on the Driver's License is not the current address
 - Digital passport photo
2. **Proof of Income.** A copy of applicant's federal tax returns for the past two years and at least one of the following two documents:
 - Two months of pay stubs, current Profit and Loss Statement or Balance Sheet
 - Proof of current eligibility for General Assistance, Food Stamps, Medical/CALWORKs or Supplemental Security Income or Social Security Disability (SSI/SSDI).
3. **Proof of Residency.** Provide at least two of the following documents, evidencing five consecutive years of residency:
 - California Driver's record or Identification Card record
 - Property tax billing and payment records
 - Verified copies of state or federal income tax returns where a Costa Mesa address is listed as the primary address
 - School records
 - Medical records
 - Banking records to a Costa Mesa address
 - Orange County Housing Authority records

- Documents demonstrating residency in 2021 can be used for proof of current residency only; they will not be considered proof of a year of residency.

4. **Proof of Conviction.** Conviction record related to cannabis offenses shall be demonstrated through the following documents:

- Court records
- Probation documents
- Department of Corrections or Federal Bureau of Prisons documentation that clearly indicates the arrest occurred in Orange County.

Pre-application Submittal. The pre-application shall submit required documentation with or prior to submittal of the first application required to initiate review of the cannabis business (i.e. pre-application review for a storefront cannabis business). If an applicant wishes to pre-qualify as an Equity Applicant, the City may process a pre-application request solely for this purpose.

BENEFITS AFFORDED TO ELIGIBLE EQUITY PERMIT PROGRAM PARTICIPANTS

Pre-application Fees Waived. The City shall waive fees associated with the pre-application review to determine eligibility. The City shall also waive fees associated with a required pre-application review for a proposed retail cannabis business or non-retail cannabis business in a multi-tenant building.

Ineligibility. The City will process a Pre-Application for a retail cannabis business concurrently with an application to participate in the Permit Equity program. The City will not collect a fee for the business Pre-Application. Should the applicant fail to qualify as a participant in the Cannabis Equity Permit Program, the City will not issue a final determination regarding the pre-application for the retail cannabis business until the applicant has paid the required filing fee. If the fee has not been paid within 30 calendar days following a determination of ineligibility, the retail cannabis application shall be deemed withdrawn.

CBP Application Fees Waived. The City shall waive fees associated with the CBP Application. If a CBP is issued, the applicant shall be required to submit proof that the equity applicant continues to own at least 51% of the business entity each time the CBP is renewed. The equity applicant must continue to own at least 51% of the business entity for at least five years following issuance of the Cannabis Business Permit or the City will not renew the CBP.

Priority Applicant and Wait List. Eligible Equity Applicants shall be allowed to submit a pre-application for a retail storefront or non-storefront business or CBP application for other cannabis businesses (uses that do not require a pre-application review) during Phase 1 of the application submittal phase, which is prior to the City accepting applications from the general public.

Equity applicants shall be placed at the top of the Cannabis Permit Wait List, if there is a Wait List for retail applications, until October 8, 2021. Only applicants who have been deemed by the City as an eligible Equity Applicant will be placed at the top of the Wait List. Placement on the wait list shall be contingent on providing proof of determination from the City that the applicant qualifies as an Equity Applicant.



PRE-APPLICATION: CANNABIS EQUITY PROGRAM ELIGIBILITY

All items described in the submittal instructions must be provided or this application will not be accepted for processing by the City

Pre-Application Fee for Cannabis Equity Program Eligibility:

- There is no application fee for the pre-application review to determine eligibility for the Cannabis Equity Program.

SECTION 1 – APPLICANT INFORMATION

Applicant Name: _____

Mailing Address: _____

City: _____ State: _____ Zip Code: _____

Phone: _____ Email: _____

SECTION 2 – PERMIT TYPE (Please select type of permit(s) you are applying for):

___ Distributor (Type 11) ___ Distributor (Type 13) ___ Manufacturer (Type 6 and 7)

___ Testing Laboratory (Type 8) ___ Research and Development Laboratory

___ Retail Storefront (Type 10) ___ Retail Non-storefront (Type 9)

SECTION 3 – PROPOSED LOCATION

Property Address: _____

SECTION 4 – SIGNATURES

Applicant's Signature: _____ Date: _____

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On _____, before me, _____,
Notary Public, personally appeared _____, who proved
to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed
the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on
the instrument the person(s), or the entity upon behalf of which the person(s) acted,
executed the instrument.

I certify under PENALTY OF PERJURY under law of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

MY COMMISSION EXPIRES: _____

SECTION 5 – REQUIRED DOCUMENTS AND MATERIALS

The following information must be submitted with the Cannabis Equity Permit Program pre-application form:

1. **Live Scan Form.** A completed Live Scan Application form and the following information:
 - Copy of Driver's License, State-issued ID Card, or U.S. Passport
 - Copy of Social Security Card
 - Current passport photo in digital format
2. **Proof of Income.** Applicant must demonstrate an annual household income at or less than the Orange County Area Median Income as described on the attached table provided below.
 - A copy of owner's federal tax returns for the past two years and at least one of the following two documents:
 - Two months of pay stubs, current Profit and Loss Statement or Balance Sheet
 - Proof of current eligibility for General Assistance, Food Stamps, Medical/CALWORKs or Supplemental Security Income or Social Security Disability (SSI/SSDI).
3. **Proof of Residency.** Provide at least two of the following documents, evidencing five consecutive years of residency:
 - California Driver's record or Identification Card record
 - Property tax billing and payment records
 - Verified copies of state or federal income tax returns where a Costa Mesa address is listed as the primary address
 - School records
 - Medical records
 - Banking records
 - Orange County Housing Authority records
 - Documents demonstrating residency in 2021 can be used for proof of current residency only; they will not be considered proof of a year of residency.
4. **Proof of Conviction.** Applicant must demonstrate conviction of a felony in Orange County, California involving cannabis and/or marijuana for which the underlying cannabis or marijuana offense has subsequently been designated a misdemeanor or infraction or decriminalized pursuant to the provisions of the Control, Regulate and Tax Adult Use of Marijuana Act or federal law. Conviction shall be demonstrated through the following documents:
 - Court records

- Probation documents
 - Department of Corrections or Federal Bureau of Prisons documentation that clearly indicates the arrest occurred in Orange County.
5. **Business Structure.** In order for a California entity (such as a corporation, LLC, LLP, partnership, etc.) to participate in the Equity Permit Program, one equity applicant must own and maintain a controlling interest of at least 51% in that company for at least five years following issuance of the CBP. If the owner of the business is a corporation or partnership, legal documents outlining the business structure shall be provided, along with the name, address and contact information for each officer. The following documents, if applicable to the business structure, shall be provided:
- Articles of Incorporation
 - Articles of Organization
 - Certificate of Limited Partnership
 - Statement of Partnership Authority
 - Fictitious Name Statements
6. **Owner Acknowledgement and Agreement.** In order to qualify for the Social Equity ownership criteria, the individual must have ownership that meets the respective eligibility factors and hold at least 51% ownership interest in the retail business. If an applicant is part of an entity, the attached document must be signed by all owners holding an interest of 20% or greater in the entity.
7. **Live Scan Fee.** The City will not charge a pre-application fee to process this application. However, the applicant is responsible for payment of fees to obtain a Live Scan Background Check.

Income Qualifications

Applicant shall have an annual household income at or less than the Orange County Area Median as specified annually by the State Department of Housing and Community Development (HCD). The Orange County Area Median Income for 2021 is \$106,700. The following table identifies the adjustments to the Area Median Income limits based on household size:

Household Size	Income Limit
One person	\$ 74,700
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Five people	\$115,250
Six people	\$123,750
Seven people	\$132,300
Eight or more	\$140,850



**OWNER ACKNOWLEDGEMENT AND AGREEMENT
FOR SOCIAL EQUITY CANNABIS BUSINESS
PERMIT APPLICATION**

It is the intent of the City of Costa Mesa to promote equitable ownership and employment opportunities in the cannabis industry to decrease the disparities in life outcomes for marginalized communities and to provide opportunities for local cannabis business operators who meet the City's Social Equity criteria. The intent of the Social Equity Program is for Social Equity applicants to have and maintain true ownership interests in the retail cannabis business. Therefore, this Acknowledgment and Agreement is to clarify the business ownership requirements for Social Equity ownership.

In order to qualify for the Social Equity ownership criteria, the individual must have ownership that meets the respective eligibility factors and hold at least 51% ownership interest in the retail business. The Social Equity ownership criteria are identified in Administrative Regulation 4.2 for Cannabis Business Permits. The Regulations also require the Social Equity Owner to receive the Equity Share percent of the retained earnings and 100% of the unencumbered value of each share of stock, member interest or partnership interest owned in the event of the dissolution of the entity to their equity share, or 100% of the value of each of stock, member interest or partnership interest in the event that the stock, member interest or partnership interest is sold. Chief among the concepts of equity share, is unconditional ownership which means such individual(s) will receive equal profits, and distributions or other payments proportionate to their ownership interests.

This is intended to ensure true ownership by Social Equity Owners and as such, prohibits the divestment or relinquishment of any part of their ownership under any circumstance. In addition, the Equity Share is also expanded to address voting rights on fundamental decisions relating to the business and control of at least the equity share percent of the voting rights on all decisions involving the operation of the business. This requirement is also subject to being audited to assess compliance and the Social Equity Owner can initiate legal action due to a breach of contract agreement, and the City may suspend and/or revoke a Cannabis Business Permit, Business License and/or Conditional Use Permit if any provision in an operating agreement violates any of the Equity Share for the Social Equity Owner requirements.

Lastly, all applicants will be required to incorporate an addendum into their operating agreements that makes any provision ineffective, unenforceable, null and void, if it is inconsistent with, or in violation of, the Equity share requirements. As proposed, Social Equity Owner Applicants will be required to verify under the Administrative Regulations that they meet the definition of a Social Equity Owner at the time of applying for a permit or permit renewal. The City shall have the sole and absolute discretion to determine whether the Applicant qualifies as a Social Equity Owner to determine if they should be awarded a priority in the application process or a Cannabis Business Permit. Failure to comply with the provisions of this Acknowledgment and Agreement may subject an issued Cannabis Business Permit to suspension and/or revocation. Each person with a 20%

or greater ownership interest in the retail cannabis business must sign this Acknowledgment and Agreement.

The persons executing this Acknowledgment and Agreement warrant that they are duly authorized to execute this Acknowledgement and Agreement and that by doing so the applicant and each owner are formally bound to the provisions of this Acknowledgment and Agreement.

_____ Applicant Signature	_____ Date Signed
_____ Print Name	_____ Title
_____ Company Name	_____ Address/Telephone
_____ Owner Signature	_____ Date Signed
_____ Print Name	_____ Ownership Interest (specify)

(Attach additional sheets if necessary)